

Message Text

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47

ACTION EUR-25

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E.O. 11652: N/A

TAGS: BDIS, YO

SUBJECT: TRADE COMPLAINT: ENGELHARD MINERALS AND CHEMICALS
CORPORATION

REF: A. STATE 132284 B. BELGRADE 0407 C. BELGRADE 0448

SUMMARY: JUGOMTEAL DEPUTY GENERAL MANAGER KOVACEVIC HAS
OFFERED MAXIMUM EFFORT TO FIND SOLUTION ACCEPTABLE TO ENGELHARD ON
TRADE COMPLAINT, AND INVITES ENGELHARD REPRESENTATIVE TO MEET WITH
HIM SOONEST. END SUMMARY.

1. W. RUDOLF, GROUP VICE PRESIDENT, ENGELHARD MINERALS AND
CHEMICALS CORPORATION, TELEPHONED FROM NEW YORK REQUESTING EMBASSY
ASSISTANCE TO RESOLVE PROBLEM OF FAILURE BY JUGOMETAL, YUGOSLAVIA'S
LARGEST INDUSTRIAL ENTERPRISE TO DELIVER ON CONTRACT FOR SALE OF
103,000 TONS OF PIG IRON. INTERCESSION OF EXIM BANK CHAIRMAN
CASEY, REPORTED IN REFTEL A, HAS NOT YET BROUGHT RESULTS,
ACCORDING TO RUDOLF. ENGELHARD WAS INCREASINGLY UPSET ABOUT
SITUATION HE ADDED AND "RECONSIDERING FIRM SUPPORT IT HAS BEEN
GIVING TO EXPANSION OF US ECONOMIC RELATIONS WITH SOCIALIST
COUNTRIES."

2. TELEPHONE CALL, AND STATE TEL, WERE FIRST NOTICE TO EMBASSY
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THAT A COMPROMISE ARRANGEMENT WORKED OUT HERE IN JANUARY WITH

OUR ASSISTANCE WAS ONLY VERY PARTIALLY IMPLEMENTED BY JUGOMETAL (15,000 TONS), AND THAT DELIVERIES HAVE FALLEN BEHIND BY 28,000 TONS.

3. ACTING CHIEF ECONOMIC/COMMERCIAL SECTION CALLED ON JUGOMETAL DEPUTY MANAGING DIRECTOR KOVACEVIC JULY 3 AND STRONGLY EMPHASIZED NEED FOR EARLIEST SATISFACTORY RESOLUTION IN ORDER TO PRESERVE TRADITIONALLY HARMONIOUS AND PRODUCTIVE RELATIONSHIP BETWEEN TWO COMPANIES, AND TO AVOID ANY POSSIBLE RISK OF DAMAGE TO BROADER INTERESTS. WE NOTED THAT FIRMS OF BOTH COUNTRIES WERE ABOUT TO BE DRAWN INTO EVEN CLOSER TIES WITH ONE ANOTHER THROUGH NEW CHAMBERS OF COMMERCE, AND THAT JUGOMETAL MANAGING DIRECTOR CEPERKOVIC WOULD REPORTEDLY BE FIRST PRESIDENT OF BELGRADE-BASED ORGANIZATION.

4. KOVACEVIC EXPLAINED THAT GENUINE FORCE MAJEURE SITUATION - "CHAOTIC CONDITION" OF YUGOSLAV-ITALIAN RAILWAY TRAFFIC - HAD PREVENTED MARCH AND APRIL DELIVERIES. BY TIME FIRMS HAD AGREED ON ALTERNATIVE METHODS OF DELIVERY, ON OTHER HAND, MARKET PRICE OF PIG IRON AND OF COMMODITIES JUGOMETAL HAS TO PURCHASE FOR MANUFACTURING IT HAD DOUBLED, AND JUGOMETAL WAS SIMPLY NOT IN FINANCIAL POSITION TO DELIVER AT AGREED PRICE AND TO TAKE RESULTING EIGHT-MILLION DOLLAR LOSS. FIRMS ALL OVER WORLD HAVE BEEN CONFRONTED WITH SIMILAR SITUATION IN THIS DIFFICULT YEAR, HE ADDED.

5. KOVACEVIC STATED THAT HE REALIZED JUGOMETAL HAS CONTRACTUAL OBLIGATION AND THAT ENGELHARD HAS BEEN PLACED IN DIFFICULT SITUATION BY FAILURE TO DELIVER.

6. HE INVITED RUDOLF OR OTHER SENIOR ENGELHARD REPRESENTATIVE TO MEET WITH HIM SOONEST IN BELGRADE, MILAN OR VIENNA TO WORK OUT MUTUALLY ACCEPTABLE SOLUTION. AS PART OF SOLUTION, KOVACEVIC STATED, JUGOMETAL WOULD GUARANTEE EARLIEST DELIVERY OF PIG IRON QUANTITIES WHICH HAVE BEEN DELAYED. HE ALSO STRONGLY INDICATED THAT JUGOMETAL WOULD BE PREPARED TO REACH REASONABLE COMPROMISE ON PRICING.

7 JUGOMETAL IS ANXIOUS TO PRESERVE ENGELHARD GOOD-WILL, KOVACEVIC INSISTED, AND IS ENCOURAGED THAT (ACCORDING TO HIM), ENGELHARD HAS PLACED A NEW ORDER FOR 15,000 TONS OF PIG IRON WITH JUGOMETAL AT PREVAILING MARKET PRICE JUST ONE WEEK AGO, AND IS ALSO ORDERING A LIMITED OFFICIAL USE

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VERY SUBSTANTIAL QUANTITIES OF COPPER.

8. ACTION REQUESTED: COMMERCE SHOULD, AT ITS DISCRETION, PASS SUBSTANCE OF FOREGOING TO ENGELHARD, AND TO ASSURE FIRM OF EMBASSY'S READINESS TO EXTEND ASSISTANCE, IF REQUESTED, WITH NEW ROUNDS OF TALKS TO RESOLVE PROBLEM.
TOON

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